

Message Text

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UNCLAS SECTION 1 OF 2 OTTAWA 0245

POUCHED ALL OTHER AMCONSULS CANADA

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TAGS: ECON, CA
SUBJECT: CONFERENCE BOARD QUARTERLY FORECASTS FOR PROVINCIAL
ECONOMICS

REF: A. OTTAWA 186, B. 76 OTTAWA 4437

1. SUMMARY: IN LINE WITH DECEMBER DOWNWARD REVISIONS
OF 1977 PROJECTIONS FOR NATIONAL ECONOMY, CONFERENCE
BOARD IN CANADA HAS ISSUED REVISED FORECASTS FOR PROVINCIAL
ECONOMIES. ALL PROVINCES EXPECTED SHOW SLOWER GROWTH
THAN ORIGINALLY FORECAST BY BOARD IN ITS NOVEMBER 1976
PROJECTIONS AND SASKATCHEWAN NOW PROJECTED BY BOARD
TO EXPERIENCE DECLINE IN REAL GROWTH, QUEBEC ONLY 2.7
PERCENT GROWTH, AND NEWFOUNDLAND, ONTARIO, AND MANITOBA
2.9 PERCENT REAL GROWTH. ALBERTA AT 4.7 PERCENT,
BRITISH COLUMBIA AT 4.1 PERCENT, AND NOVA SCOTIA AT 3.6
PERCENT ONLY PROVINCES EXPECTED BE ABOVE NATIONAL REAL
GROWTH LEVEL IN 1977 OF ABOUT 3 PERCENT. END SUMMARY.

2. CONFERENCE BOARD IN CANADA HAS RELEASED QUARTERLY
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FORECASTS FOR PROVINCIAL ECONOMIES IN 1977, REVISING
DOWNWARD BOARD'S PROJECTIONS OF NOVEMBER 1976 (REFTEL B)
AND REFLECTING OVERALL DOWNWARD REVISIONS FOR NATIONAL
ECONOMY ISSUED BY BOARD LAST DECEMBER. BASED
ON BOARD'S FORECAST OF TOTAL REAL GROWTH IN ECONOMY TO
DECLINE FROM ABOUT 5 PERCENT IN 1976 TO ABOUT 3 PERCENT
IN 1977, BOARD HAS REVISED DOWNWARD PROJECTED REAL

GROWTH FOR ALMOST ALL PROVINCES.

3. IN ITS PRESS RELEASE, BOARD STATED THAT "OUTLOOK FOR SPENDING ON CAPITAL GOODS, CONSUMER GOODS AND HOUSING HAVE ALL BEEN REVISED DOWNWARD. ... SINCE THESE INDUSTRIES PLAY A RELATIVELY GREATER ROLE IN THE ECONOMIES OF ONTARIO AND QUEBEC, THE OUTLOOK FOR GROWTH IN THESE PROVINCES IS CONSIDERABLY LESS FAVORABLE THAN IT WAS IN THE FALL." ALSO, BOARD EXPECTS DROP IN AGRICULTURAL PRODUCTION WILL AFFECT SASKATCHEWAN PRIMARILY AND RESULT IN SLIGHT DECLINE IN REAL OUTPUT THERE.

4. ALBERTA AND BRITISH COLUMBIA EXPECTED EXPERIENCE STRONGEST GROWTH IN 1977, BUT EVEN IN THESE PROVINCES REAL GROWTH WILL BE LESS THAN 5 PERCENT. NOVA SCOTIA AND NEW BRUNSWICK ALSO FORECAST TO OUTPERFORM NATIONAL ECONOMY, NOW PROJECTED TO SHOW REAL GROWTH OF 3.1 PERCENT.

5. CONFERENCE BOARD FORECASTS FOR EACH PROVINCE AS FOLLOWS:

A. NEWFOUNDLAND - REAL OUTPUT TO DECLINE FROM 5.1 PERCENT ESTIMATED 1976 GROWTH RATE TO 2.9 PERCENT IN 1977. ONLY FORESTRY AND MANUFACTURING "LIKELY" SHOW IMPROVEMENTS, WITH FISHING AND MINING NOT EXPECTED REPEAT STRONG SHOWING OF 1976. MODERATING TREND IN UNEMPLOYMENT RATE WILL BE REVERSED AND AVERAGE LEVEL WILL INCREASE FROM 13.5 PERCENT LEVEL IN 1976 TOWARDS UNCLASSIFIED

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14.3 PERCENT LEVEL.

B. PRINCE EDWARD ISLAND - INCREASE IN REAL DOMESTIC PRODUCT EXPECTED TO BE ABOUT SAME AS FOR NATIONAL ECONOMY. SERVICE INDUSTRY TO SHOW STRENGTH, BUT OUTPUT IN AGRICULTURE AND FISHING TO DECLINE. UNEMPLOYMENT TO RISE MARGINALLY FROM 10.2 PERCENT 1976 AVERAGE RATE, AND GROWTH IN RETAIL SALES WILL DECLINE TO 9 PERCENT RATE FROM 10.5 PERCENT IN 1976.

C. NOVA SCOTIA - INCREASE IN REAL OUTPUT OF 3.8 PERCENT. FORESTRY, MINING AND SERVICE INDUSTRY WILL GROW, WHILE AGRICULTURE, FISHING AND CONSTRUCTION EXPECTED TO BE WEAK SECTORS. EMPLOYMENT GROWTH NOT EXPECTED MATCH INCREASE IN LABOR FORCE, AND UNEMPLOYMENT RATE WILL GO TO 10.8 PERCENT.

D. NEW BRUNSWICK - ALTHOUGH N.B. EXPERIENCED LOWEST GROWTH RATE OF ALL PROVINCES IN 1976, ECONOMIC

SITUATION EXPECTED IMPROVE IN 1977 WITH REAL GROWTH OF 3.6 PERCENT. OUTPUT IN FORESTRY, MINING AND CONSTRUCTION WILL LEAD IMPROVEMENT, BUT AGRICULTURE AND FISHING EXPECTED TO DECLINE. UNEMPLOYMENT RATE TO REMAIN HIGH AT OVER 11 PERCENT.

E. QUEBEC - PROSPECTS FOR REAL GROWTH "APPEAR CONSIDERABLY LESS OPTIMISTIC NOW THAN IN THE FALL." REAL GROWTH NOW EXPECTED TO BE 2.7 PERCENT, REFLECTING "DOWNWARD REVISION FOR GROWTH PROSPECTS IN MOST INDUSTRIES, INCLUDING FORESTRY, MINING, MANUFACTURING, CONSTRUCTION AND SERVICES." WITH ANTICIPATED GROWTH IN LABOR FORCE OF ALMOST 2.5 PERCENT BUT LESS THAN 1 PERCENT GROWTH IN EMPLOYMENT, UNEMPLOYMENT RATE EXPECTED TO INCREASE FROM AVERAGE RATE OF 8.7 PERCENT IN 1976 TO OVER 10 PERCENT IN 1977.

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F. ONTARIO - REAL GROWTH TO DECLINE FROM OVER 5 PERCENT IN 1976 TO "SLIGHTLY LESS" THAN 3 PERCENT IN 1977. NOVEMBER OUTLOOK FOR GROWTH IN MINING, MANUFACTURING AND SERVICE PRODUCING INDUSTRIES REVISED DOWNWARD, AND DECLINE IN CONSTRUCTION AND AGRICULTURE "APPEAR LIKELY BE MORE SEVERE." UNEMPLOYMENT RATE EXPECTED TO AVERAGE FOR 1977 ALMOST 7 PERCENT, AND RETAIL SALES GROWTH "SHOULD DECLINE AS PERSONAL INCOME FLOWS MODERATE."

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G. MANITOBA - REAL GROWTH OF "JUST UNDER 3 PERCENT," WITH GOODS-PRODUCING SERVICES EXPECTED TO SUPPORT GROWTH WHILE AGRICULTURE WILL BE WEAKEST SECTOR. UNEMPLOYMENT RATE TO INCREASE "ONLY marginally" AND REMAIN BELOW 5 PERCENT FOR YEAR.

H. SASKATCHEWAN - ESTIMATED REAL GROWTH OF JUST UNDER 9 PERCENT IN 1976 LED BY STRONG PERFORMANCE IN AGRICULTURE, MINING AND CONSTRUCTION. REVERSAL IN GROWTH PATTERN EXPECTED IN 1977, COMBINED WITH DECLINE IN RATE OF GROWTH OF SERVICE-PRODUCING INDUSTRIES, "WILL RESULT IN A DECLINE IN TOTAL OUTPUT IN 1977 FOR SASKATCHEWAN AND THE WEAKEST PERFORMANCE OF ALL THE PROVINCES." UNEMPLOYMENT RATE TO BE STABLE AT 1976 LEVEL OF ABOUT 4 PERCENT.

I. ALBERTA - ALBERTA ECONOMY EXPECTED BE STRONGEST OF ALL PROVINCES IN 1977 WITH REAL GROWTH OF 4.7 PERCENT. DECLINE IN AGRICULTURAL OUTPUT TO BE OFFSET BY INCREASED RESOURCE PRODUCTION AND STRONG PERFORMANCES BY MANUFACTURING, CONSTRUCTION AND SERVICES. UNEMPLOYMENT UNCLASSIFIED

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RATE TO BE JUST UNDER 4 PERCENT.

J. BRITISH COLUMBIA - REAL GROWTH OF JUST OVER 4 PERCENT, WITH CONSTRUCTION AND FISHING EXPECTED TO BE WEAK BUT AGRICULTURE, MINING AND MANUFACTURING TO SHOW "MODERATE GAINS." FORESTRY EXPECTED "TO PERFORM STRONGLY," ALTHOUGH GROWTH IN THIS INDUSTRY TO DECLINE FROM RATE RECORDED IN 1976. EMPLOYMENT GROWTH OF 3 PERCENT TO MATCH GAINS IN SIZE OF LABOR FORCE, AND UNEMPLOYMENT RATE TO REMAIN UNCHANGED AT ABOUT 8.5 PERCENT.

6. COMMENT: CONFERENCE BOARD'S FORECASTS ARE PREDICATED ON ASSUMPTION "NO STEPS ARE TAKEN BY GOVERNMENT TO STIMULATE THE ECONOMY." THUS, BOARD DOES NOT ATTEMPT SECOND-GUESS EITHER FEDERAL OR PROVINCIAL GOVERNMENTS ON CHANGING ECONOMIC POLICIES. POSSIBILITY EXISTS FOR PROVINCIAL GOVERNMENTS, IF NOT FEDERAL GOVERNMENT, TO CHANGE RESTRAINT PROGRAM AND INJECT SOME FISCAL STIMULATION IN PROVINCIAL ECONOMIES AND THUS ALTER BOARD'S PROJECTIONS. ONTARIO GOVERNMENT LOWERED

PROVINCIAL SALES TAX IN 1975 AS ONE METHOD OF COMBATTING
RECESSION AND THIS PROVINCE AND OTHERS COULD DO SAME
THING IN 1977 IN ORDER SPUR CONSUMER SPENDING. SOME
ECONOMIC COMMENTATORS HAVE ALREADY
SUGGESTED DROP OF 2 PERCENTAGE POINTS IN PROVINCIAL
SALES TAXES IN ORDER GIVE BOOST OF OVER C\$1 BILLION TO
PROVINCIAL ECONOMIES.
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